



July 2, 2015

Budget Update

Joint Finance Committee Approves Transportation Plan

While early coverage hailed a Republican budget deal, it became clear watching the Wednesday press conference and reading subsequent press coverage that the budget was still a work in progress. And Senate Majority Leader Fitzgerald has been straight forward in stating that he doesn't have the votes yet to pass the budget.

The plan, which helped move the budget bill out of the Joint Finance Committee, involves removing two controversial issues from the budget – the new Bucks arena and prevailing wage.

Bonding and the Highway Programs

As for transportation, the third item of contention, the Republican compromise, which was approved in a party-line vote of the Joint Finance Committee, would reduce the level of transportation-supported bonding by \$800 million. Instead of the \$1.3 billion in borrowing as proposed by the governor, the amount would be \$500 million.

An additional \$350 million in bonding could be released by the Joint Finance Committee for major highway development or state highway rehabilitation at the request of the Department of Transportation. Debt service on the first \$175 million of the committee authorized bonding would be paid out of the general fund. Debt service on approved bonding over that amount would be paid out of either the general fund or transportation fund as determined by the Joint Finance Committee.

The reduction to highway programs prior any JFC release of the additional bonding would be as follows:

SE Megaprojects	\$208.6 Million
Majors	\$350.0 Million
Rehabilitation	\$100.0 Million

Note: the reduction to the programs is less than the reduction in bonding as miscellaneous items such as the newly projected fund balance and reduced debt service from less bonding were used to offset a little over \$140 million in bonding.

It is not possible to determine the impact on any specific projects until the Department of Transportation goes through the program reductions, determines how best to use the additional bonding and receives approval from the Joint Finance Committee.

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Even with the reduced level of bonding, debt service is still expected to exceed 20% in the second year of the budget.

Project Enumeration

The committee deleted 3 major highway project enumerations, as recommended by the Transportation Projects Commission: the Beloit Bypass project in Rock County, STH 38 from Racine CTH K to Oakwood Road in Milwaukee and Racine counties, USH 14 project from Viroqua to Westby in Vernon County. And the JFC motion removed the I-94 East-West project for enumeration as a southeast Wisconsin freeway megaproject in this budget.

Audit and Reporting Requirement

The Joint Finance Committee motion includes a request for an audit of the state's highway program with a report to be filed by January 1, 2017. Areas to cover include: forecasting methodologies and results, process and factors the department uses to select the time, type and scope of highway projects, bidding practices and recommendations for improvement.

The Department of Transportation would also be required to add southeast Wisconsin freeway megaprojects to the biannual report produced by the department for the major highway development program.

Other Programs

General Transportation Aids: Fully fund the 4% calendar year 2015 increase provided in the last budget for counties and municipalities.

Mass Transit Operating Assistance: Fully fund the 4% calendar year 2015 increase for mass transit operating assistance as provided in the last budget.

Freight Rail Preservation Program: Reduce the governor's recommendation to provide \$43 million in transportation-fund supported, general obligation bonds for the freight rail preservation program by \$13.2 million. Offset \$5 million of the reduction by redirecting funds lapsed from the balance of the freight rail infrastructure improvement program's revolving loan fund. After the two changes, total program resources would be \$35 million.

Harbor Assistance Program: Authorize \$13.2 million in transportation-supported, general obligation bonds. The motion specifically grants up to \$4.2 million to the City of Kewaunee for harbor infrastructure.

Transportation Facilities Economic Assistance and Development Program: Delete the governor's recommendation to provide an additional \$2 million annually for the program, leaving \$3.4 million annually.

Bicycle and Pedestrian Facilities: Repeal the current law (Complete Streets) which generally requires DOT to ensure that bikeways and pedestrian ways are established in all new highway construction and reconstruction projects that are funded in whole or in part from state or federal funds.

Community Sensitive Solutions: Prohibit state funds from being expended on items primarily related to aesthetic preferences.

The Assembly is expected to vote on the budget next week with the Senate to follow.

Transportation Development Association
10 East Doty Street, Suite 201 • Madison WI, 53703
TDAWisconsin.org